Supreme Court, U.S.
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- No. 01-1041 -

IN THE

Supreme Court of the United States

OCTOBER TERM, 2001

OLEH WERES

Petitioner,

v.

NANCY WERES

Respondent.

On Petition for a Writ of Certiorari to the California Court of Appeal, District 1

REPLY TO BRIEF IN OPPOSITION

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The sections in this *Reply* correspond to Sections in Respondent's *Brief in Opposition*.

SUMMARY OF PETITIONER'S REPLY

While the incidents of ownership of patents are governed by state law, the creation and initial ownership of the patent right are governed by the Constitution, Art. 1, §8, cl. 8, and are thereby Federal questions. Because copyrights flow from the same Clause, decisional law related to the creation and initial ownership of copyrights is directly and seminally relevant to patents as well.

Allowing States to decide questions related to the creation and initial ownership of patents and copyrights inevitably frustrates national uniformity and thereby burdens interstate commerce.

The applicable federal law was defined in *Rodrigue* v. *Rodrigue,* 218 F.3d 432 (5th Cir. 2000) but was inoppositely applied to the instant case by the California Court of Appeal in its decision on the merits. The California Supreme Court affirmed by denying review. Misapplication of the federal law by the California courts is the hallmark and essence of Petitioner's appeal. Petitioner's prayer is unchanged throughout the appeal.

RESPONDENT HAS MISSTATED THE CASE

Throughout this case, Respondent's position has been based on the assumption that once a patent application is filed, the work is all done, and the inventor can sit back and

wait for the money to roll in. The courts below accepted this naive theory, which is reflected in Respondent's *Brief in Opposition*:

> Despite Petitioner's continued insistence that the patents are somehow dependant on his post-separation efforts, evidence to the contrary was introduced at trial and the trial court found to the contrary. (*Id.* at 2)

First, the Court is asked to take judicial notice of the fact that patents require payment of maintenance fees and, if prior art is subsequently discovered, may require reexamination. Suing for infringement is an expensive proposition, especially if the infringer challenges the validity of the patent.

Second, obtaining a patent and making money from it are two very different things. Petitioner's electrochemical patents were based on laboratory results only, and the technology was still far from commercialization when the trial took place 28 months after separation. The power plant technology is similarly far from producing a profit.

Unchallenged evidence presented at trial showed that Petitioner's efforts since separation have been devoted to perfecting the technology in the patents and moving it toward commercial exploitation. While Petitioner's post-separation efforts may not change the patents as such, they can certainly change the <u>value</u> of the patents and enable the benefits that may eventually flow from the patents.

<u>If</u> the patents had been already licensed and producing royalties at the date of separation, the decisions below would have been fair and reasonable (albeit legally unsound). However, with the value of the patents utterly dependent upon Petitioner's continued post-separation efforts, Petitioner's settlement offers represent the only reasonable options: give Petitioner unclouded ownership of

the patents, while requiring him to (a) reimburse the community for efforts and expenses sunk in the patents, or (b) have Petitioner give Respondent a fraction of future benefits from the patents which fairly reflects the community's contribution to realizing those benefits. All cases on point from other states have followed the second approach in regards to patents and copyrights both, as did the 5th Circuit in *Rodrigue* v. *Rodrigue, supra,* 218 F.3d 432 [*Rodrigue-2*].

There was much speculation below about the "value" of the patents, but no evidence to support a value much different from zero. Such "evidence of value" was artfully quoted in *Respondent's Brief in Opposition* in fn. 3 on pp. 2-3. In fact, Petitioner had testified:

(a) The patents probably would not have any value if he stopped working on the technology[1] ;

(b) While not working on the patents *per se*, Petitioner has continued working to perfect and commercialize the technology therein[2] ;

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[1] Petitioner's actual testimony was:

Q. If you stopped working on this technology right now, do you think there would ever be any future value to those four patents?

A. The electrochemical [patents], probably not. The power plant [patents], perhaps, because other people are involved in research and development outside of Sonoma Research. (R.T. 281:5-10)

The projects involving "other people" resulted from Petitioner's postseparation efforts to secure the funding. (RT 107:9-108:5)

[2] Petitioner's actual testimony was:

Q. Isn't it true then that all of the work that you've done from date of separation doesn't change the claims under the existing patents as of February 10th, 1996?

A. No.

Q. So all of the work that you've done since then is not on the existing patents, correct?

(c) While Petitioner's thousands of hours of post-separation effort would not change any of the rights under the marital patents, Petitioner's post-separation effort would certainly change the value of the patents.[3]

RESPONDENT HAS FAILED TO ADDRESS PETITIONER'S REASONS FOR GRANTING THE WRIT

I. The Petition is Fully Responsive to the Decision Below

A. Respondent and the Courts Below Relied on the Decisional Law of Copyrights

The fundamental question in the case at bench is whether a patent obtained in marriage in a community property state vests in the inventor or in the community. The grant of patents and copyrights is authorized by the Patent and Copyright Clause of the Constitution which treats them identically:

> Congress shall have the power ... to promote the Progress of Science and the useful Arts, by securing for limited Times to Authors and Inventors the

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A. Correct.

Q. It happens to be similar technology?

A. Well, it happens to be technology that's covered by the original four patents." (RT 283:12-22).

[3] Petitioner's actual testimony was:

Q. But as we just discussed, that three thousand fifty hours doesn't change the rights granted under the three marital patents, correct?

A. It doesn't change the rights, but it changes the ability to market the original three marital patents profoundly. (R.T. 287:5-10)

> exclusive Right to their Respective Writings and Discoveries. (Art. 1, §8, cl. 8)

Thus, patents and copyrights are equal before the Constitution at birth, and the same law governs them at the moment of conception. In fact, several of the copyright cases on point rely on patent law, including *In re Marriage of Worth*, 195 Cal.App.3d 768 (1987) and *Rodrigue* v. *Rodrigue*, 55 F.Supp.2d 534 (E.D.La. 1999) [*Rodrigue-1*].

In the courts below, Respondent has relied heavily on *Marriage of Worth*, and should now be estopped from objecting that copyright law is irrelevant to this case. *Worth* was favorably cited seven times in *Respondent's Opening Brief* in the California Court of Appeal; for example:

> The argument that the state court has interfered with a federal right was dealt with and decided in the case of *In Re: Marriage of Worth*. There, the Court of Appeal affirmed the division of the community copyrights (which are created by the same provisions of the United States Constitution as Patents). ... (*Id.* at 43)

> In *Re: Marriage of Worth* notes that the federal constitution does not preempt a spouse in California from owning one-half (½) of a patent or copyright. (*Id.* at 44)

Because the California Court of Appeal considered the *Rodrigue* decisions and relied heavily on *Worth* in deciding the case below (as quoted in Petitioner's *Petition for Writ of Certiorari* at p. 13), Petitioner's arguments based on copyright law and *Rodrigue* are fully responsive to the decision below.

B. Respondent Suggests that the Economic Benefits of a Patent are Separate Property of the Inventor as Well as the Patent Itself

Respondent is correct in noting that in *Rodrigue-2* the Fifth Circuit relied on language that is specific to the copyright statute to conclude that, while the copyright itself is the separate property of the artist spouse, the economic benefits of the copyright are divisible community property. *Rodrigue-2* modified *Rodrigue-1*, where the District Court had relied on the decisional law of patents as well as copyrights to conclude that copyrights, including the economic benefits therefrom, are entirely separate property. By arguing that the modification ordered in *Rodrigue-2* is applicable to copyrights only, Respondent has effectively conceded that *Rodrigue-1* applies to patents while *Rodrigue-2* does not, because the patent statute contains no such language.

Applying the reasoning of *Rodrigue-1* to patents leads to the conclusion that patents, including the economic benefits therefrom, are entirely the separate property of the inventor-spouse. In that case, the ex-spouse can only expect to be reimbursed for the community's investment in the patent. Petitioner has, in fact, proposed to do so from the start, as the first of his two settlement offers (quoted in the *Petition for Writ of Certiorari*, pp. 33-36).

II Federal Law Governs the Initial Ownership of a Patent

Respondent has cited several cases which establish that incidents related to the ownership of a patent are governed by state law, and concluded her review by stating:

> The issue of ownership presented by this case is not an issue of ownership based upon the determination of inventorship, which would be a question of

federal law. ... (*Brief in Opposition*, p. 10)

In fact, the Constitution empowers Congress to grant the "exclusive Right" to the "Authors and Inventors"; thus, the initial ownership of the patent right is identical with inventorship. Transfers of ownership that occur after the patent application has been filed or after the patent has issued are indisputably governed by state law (subject to 35 U.S.C. §261), but until a written assignment has been executed, the patent or patent application is owned by the inventor(s) alone.

The underlying question in this case is whether state community property law can effect the ownership of the patent right at birth; because initial ownership is governed by the Constitution and federal statute, state law cannot effect the initial ownership of the patent.

While in *Moss v. Moss Tubes*, 44 USPQ2d 1309 (N.D.N.Y. 1997) the Federal District Court abstained from ruling on the ownership of patents obtained in marriage and left that question to be decided by the state court, in the more recent and analogous copyright case *Rodrigue* v. *Rodrigue, supra,* 218 F.3d 432 the Fifth Circuit did not abstain, and affirmed that copyrights obtained in marriage are separate property of the artist-husband. That *Moss* appears to be inconsistent with *Rodrigue* provides yet another reason why the *Writ* should be granted.

III The California Court of Appeal Decided Petitioner's Federal Law Arguments on Their Merits and That Decision is Now On Appeal

At trial, Petitioner assumed *Marriage of Worth* to be good law, and did not challenge *Worth's* central holding that a copyright or patent obtained in marriage in California is community property. At this time, Petitioner relies on the

Rodrigue decisions to argue that the patents he obtained in marriage are, in fact, his separate property, although an equitable fraction of future economic benefits from the patents might properly be awarded to Respondent as community property.

At trial, Petitioner did characterize his patents as community property, but this Court should grant the *Writ* and consider Petitioner's federal law arguments for several reasons:

1. Petitioner's prayer and proposals to settle the patent issue are unchanged from the beginning of this case.[4]
2. The *Rodrigue* decisions explicitly overruled *Marriage of Worth*, thereby changing the law. *Rodrigue-1* could not be used at trial, because it was being appealled when the instant case was tried, and *Rodrigue-2* was decided when this case was already in the California Court of Appeal.
3. Respondent made the same objection in the California Court of Appeal. That court briefly noted the objection in its decision, but considered *Rodrigue* and decided Petitioner's federal law arguments on their merits. Petitioner is now appealling that part of the California Court of Appeal's decision.

IV Respondent's Fourth Argument is Redundant to Her Second Argument and Need Not Be Addressed Again

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[4] Petitioner's offers to settle the patent issue were presented at trial in a document which was subsequently appended to *Appellant's Opening Brief* in the California Court of Appeal, and to his *Petition for Writ of Certiorari* to this Court at pp. 31-44.

V Respondent Has Failed to Respond to Petitioner's Commerce Clause Argument

Respondent argues that the fourth paragraph of 35 U.S.C. §261, which specifies the means for recording the transfer of patents, somehow remedies the burden upon commerce caused by conflicting state laws regarding the ownership of patents obtained in marriage. The procedure for recording the transfer of patents is not an issue in this case; the ownership of patents obtained in marriage is the issue.

National uniformity and unburdened commerce involving patents and copyrights require that this Court formulate a single rule that will govern the ownership of patents obtained in marriage throughout the land.

VI Respondent Has Failed to Contest that the Decisions Below Will Deny Petitioner's Coinventors What They Bargained For

At trial, Petitioner presented evidence and testified that his coinventors expect him to manage the patents for their benefit as well as his own. At trial, in the California Court of Appeal, and in his *Petition for Writ of Certiorari* before this Court (*Id.* at pp. 27-28) Petitioner has consistently argued that the decisions below, which give Respondent exactly equal authority and veto power over the patents will interfere with Petitioner's ability to carry out his obligations before his coinventors. By denying Petitioners' coinventors what they bargained for, the decisions below have violated the coinventors' Fourteenth Amendment Right of Due Process.

Respondent has failed to respond to this argument, noting instead that the courts below divided only

Petitioner's share in the patents with Respondent, and not the coinventors' share. This "response" fails to address Petitioner's argument on behalf of his coinventors. Thereby, Respondent has effectively conceded this argument.

CONCLUSION

Respondent has failed to respond to Petitioner's arguments for granting the *Writ of Certiorari.*

Petitioner respectfully asks that the *Writ* be granted.

Respectfully submitted,

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